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ECOWAS COLLECTIVE

DEPT OF COMMERCE WASHDC
DEPT OF AGRICULTURE WASHDC

SENSITIVE
SIPDIS

DEPT PASS TO USTR-AGAMA
DEPT PASS TO USAID AFR/SD FOR CURTIS AND ATWOOD
DOC FOR 3317/ITA/OA/BURRESS AND 3130/USFC/OIO/ANESA/CREED
USDA FOR FAS/OTP MCKENZIE

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TAGS: [ECON](#) [EIND](#) [EAGR](#) [ENRG](#) [ETRD](#) [EAID](#) [PGOV](#) [NI](#)

SUBJECT: KANO'S INFRASTRUCTURE PROBLEMS CONTRIBUTE TO ECONOMIC
DECLINE

SUMMARY

¶1. (SBU) Representatives of Kano's Chamber of Commerce told USTDA visitors that the state's irregular power supply and poor infrastructure have contributed to business closures and high unemployment. Agricultural activity suffers from the lack of improved agricultural inputs and a well-developed and integrated value chain. Local government and business would welcome investment in the rehabilitation of infrastructure. END SUMMARY.

ASSESSMENT OF KANO'S ECONOMIC SECTORS

¶2. (U) Kano is the second-most populous state in Nigeria after Lagos, with a population of over 12 million. The state is the citadel of Islamic civilization and political activism in Nigeria. Its main economic sectors are agriculture, commerce, and manufacturing. Kano was a commercial hub in the 1970s and 1980s for Nigeria and the entire West Africa region. The former center of manufacturing and commerce with a diverse religious, social, and cultural mix is now in social and economic decline.

AGRICULTURE

¶3. (U) Agriculture is the economy's largest sector and largest employer. Over 70 percent of the work force is directly or indirectly engaged in agriculture and animal husbandry. There are over 24 dams in the state, the primary ones being the Challawa and Tiga Dams, which provide water for irrigation activities.

¶4. (U) Principal agricultural products include: groundnuts (peanuts), guinea corn, maize, sugarcane, gum arabic, rice, honey, ginger, pepper, and different kinds of vegetables. The livestock consists of cattle, sheep, goats, donkeys, camels, and horses. Kano's Dawanau grain market is the largest grain market in West Africa. Agricultural products support the food needs of the state, provide raw materials for its industries, and generate employment for its growing population. Agricultural growth slowed in the 1970s

due to the oil boom that shifted the government's focus to oil and gas production and away from other sectors.

¶5. (U) Agriculture is faced with a shortage of improved agricultural inputs such as seeds, equipment, and financing. It also suffers from the lack of a well-developed and integrated value chain, desertification, and deforestation.

COMMERCE

¶6. (U) Commerce is the second largest sector. The state once benefited from the growth of large, medium and small-scale commercial enterprises, but now commercial activities focus on the sale and distribution of primarily imported goods such as textiles, cosmetics, chemicals, pharmaceuticals, spare parts, vehicles, buildings materials, and electronics. Commercial activities are hindered by poor transportation infrastructure, including poorly maintained roads, inoperable railway lines, and a long-neglected international airport.

MANUFACTURING

¶7. (U) Kano is still Nigeria's second largest manufacturing center

after Lagos. However, its manufacturing sector has been stagnant for 20 years largely due to an irregular power supply. Kano's textile industry faces serious challenges from smuggled products from China and other Asian countries, according to the Kano Chamber of Commerce.

¶8. (U) Kano's manufacturing sector witnessed strong growth during the early 1980s because the state government provided manufacturing incentives such as free land and tax exemptions for prospective manufacturers. However, the state experienced a massive decline in manufacturing in the mid-1980s due to the removal of manufacturing subsidies as well as high production costs arising from the lack of infrastructure.

THE BUSINESS COMMUNITY LAMENTS INDUSTRIAL DECLINE

¶9. (SBU) The Governor's Special Adviser on Economic Development and the Private Sector, Abdullahi Rabi'u Mai Kano, acknowledged during a recent round table with the Kano business community that power generation is the main problem hindering industrial growth in the state. He regretted the low water level in the rivers, which adversely affects power generation, and said the state government has signed a memorandum of understanding with a Chinese firm to generate 49 megawatts of hybrid power, a combination of wind and oil, to boost power generation. Mai Kano said the irregular power supply has forced companies to rely on costly diesel generators and has reduced work days from seven to five.

¶10. (U) USTDA African Business Development Manager Jason Nagy explained that the agency's goal is to support project development in developing countries by funding feasibility studies that will further create business opportunities. He also briefed the business community on USTDA's technical assistance to the Nigerian Electricity Regulatory Commission (NERC), which involved developing health and safety standards that are being implemented and enforced by the NERC. Nagy also noted that the USTDA is funding a feasibility study for the Kiri Dam in Adamawa State.

¶11. (SBU) Dala Foods Nigeria Limited Managing Director Ali Madugu, who doubles as the Chairman of the Kano Chapter of the Manufacturers Association of Nigeria, appealed for private investment in

transportation, particularly the rehabilitation of railroad infrastructure, the construction of rural roads, and the modernization of airports to boost economic activity. Madugu described the deplorable state of the Aminu Kano International Airport, which prevents foreign airlines such as British Airways and Lufthansa from flying to Kano, and called for private investment in airport modernization. The Transportation Officer underscored the U.S mission's collaboration with the Government of Nigeria in enhancing aviation safety to attain United States Federal Aviation Administration Category 1 status, which would enable Nigerian airlines to fly directly to the United States.

¶12. (SBU) Madugu also requested a feasibility study for railroad rehabilitation to facilitate commerce and trade within and outside the state. He also encouraged investment in waste recycling for the conversion of human waste to electricity and natural fertilizers.

THE DILEMMA FOR MANUFACTURING INDUSTRIES

¶13. (SBU) The delegation visited several manufacturing sites where inadequate power supply and poor infrastructure were major constraints to industrial growth. Northern Nigeria Flour Mills Deputy Managing Director Bob Cameron said that "over 50 percent of Northern Nigeria Flour Mills' operations depend on diesel generators."

¶14. (SBU) Officials from Gongoni Industry, a major manufacturer of insecticides and chemical agents, lamented the influx of inferior counterfeit products from China and Malaysia. The Gongoni officials said the company is spending large sums of money fighting product piracy. Industry sources also complained about the government's failure to stop the dumping of pirated and smuggled products.

COMMENT

¶15. (SBU) Kano's economic decline is painful for those businessmen who remember the city's past glory as the prosperous commercial capital of Northern Nigeria. However, the problems that Kano faces are common to almost every other city in Nigeria.

¶16. (U) The Embassy coordinated this telegram with ConGen Lagos.

SANDERS